

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Foreign Ownership Policy

FROM:

Chief, Security Staff, OL

EXTENSION

NO.

DATE

16 September 1981

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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Sorry for the delay. According to DOD the Manuals are hot off the press. I have clipped the pages and checked the paragraphs which appear to be pertinent.

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16 September 1981

MEMORANDUM FOR:

Policy and Plans Group, OS

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FROM:

Chief, Security Staff, OL

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SUBJECT:

Foreign Ownership Policy

REFERENCE:

Your Memo, dtd 17 Aug 81, same subj.

1. Referent requested that appropriate DOD regulations be furnished you to determine their applicability to Agency foreign ownership policy in the collateral area. Enclosed are one copy each of the current Industrial Security Regulations and the Industrial Security Manual for Safeguarding Classified Material which contain information relative to DOD's policy with respect to foreign ownership.

2. In your deliberations on this matter, two factors should be considered. One is, that the number of contractor facilities involved in DOD classified procurements (requiring a facility security clearance) far surpasses the number of facilities engaged in Agency classified work. The majority of the firms in the latter category quite probably are DOD cleared facilities and, therefore, are compliant with the applicable DOD requirements relative to foreign ownership. Second, the policy established by the DOD with respect to foreign ownership appears to be rather comprehensive and is supported by an extensive apparatus which provides for the appropriate review of contractor foreign ownership problems and for the implementation of policy. The writer would also note, that the DDCI's Memorandum of 21 April 1981 (which was furnished with referent) establishing foreign ownership policy with respect to Sensitive Compartmented Information, in his opinion, is in consonance with DOD policies and could apply to collateral classified material as well.

216081-106100

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3. The writer would propose that, if upon review the DOD policy on foreign ownership was found acceptable for the protection of Agency classified procurements, it serve as the basis for Agency policy as well. This would permit the Agency to proceed with classified procurement actions with those contractors who, in foreign ownership situations, have taken appropriate steps to comply with DOD requirements and have been granted a facility clearance by DOD. Of course, the contractor would be required to meet this Agency's industrial security standards for access to and storage of classified information. You will note that the DOD foreign ownership regulations also provide for the granting of a facility security clearance when a contractor can demonstrate that access to classified information can be isolated from unauthorized persons or the foreign owner through the establishment of a voting trust agreement. Likewise, when a company is owned by British, Canadian, or West German interests, there exist provisions for granting a reciprocal facility security clearance, however, the contractor is denied access to certain types of classified data. The Agency policy should provide for acceptance of these provisions, as well.

4. Adoption of the above proposal as policy, however, would only serve to solve but part of the problem. There remains the problem of the Agency contractor who is not involved in DOD classified work, and who is acquired by a foreign owner. Since it may not be in the Agency's immediate interest to sever our contractual relationship with him, we need to consider under what conditions the contractor would be permitted to continue to have access to classified information, assuming that no voting trust arrangement has been made. Therefore, the policy that evolves also will need to address the decision making process that will be required, make provision for an exception or waiver of policy, establish who is the approving authority, and determine the mechanics by which the necessary security approval to contract with a foreign owned contractor can be processed.

5. As stated in the Director of Logistics memorandum of 4 August 1981, foreign ownership poses a serious problem in fulfilling Agency procurement requirements and there is an urgent need to establish more precise guidelines if we are to ease the situation. The proposals and suggestions offered above represent our views as to how this may be accomplished.

Enclosure

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